

UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF NORTH CAROLINA  
RALEIGH DIVISION

IN RE:

INTERNATIONAL HERITAGE, INC.	)	CASE NO. 98-02675-5-ATS
	)	CHAPTER 7
INTERNATIONAL HERITAGE INCORPORATED,	)	CASE NO. 98-02674-5-ATS
Debtors	)	CHAPTER 7

AFFIDAVIT

Robert H. Frazer, being duly sworn, deposes and says that:

1. I am Vice-President of and General Counsel to ACSTAR Insurance Company ("ACSTAR") and as such am authorized by law to make this Affidavit.

2. I have read the matters stated below, and the matters stated below are true of my own knowledge except those matters stated upon information and belief, and, as to those, I believe them to be true.

3. I am familiar with the books and records of ACSTAR as they relate to the matters described below.

4. Subsequent to an Order dated July 1, 1998 from the United States District Court for the Northern District of Georgia, Atlanta Division, Three Million Five Hundred Thousand and No/100 Dollars (\$3,500,000.00) was transferred to ACSTAR from the Clerk of Court for the United States District Court for the Northern District of Georgia, Atlanta Division as collateral for a surety bond issued by ACSTAR on behalf of International Heritage, Inc. and International Heritage Incorporated, a Nevada Corporation (collectively "IHI"). The Three Million Five Hundred Thousand and No/100 Dollars (\$3,500,000.00) will be referred to herein as the "INVESTED FUNDS."

WARD AND SMITH, P.A., ATTORNEYS AT LAW

2226

5. The INVESTED FUNDS were invested as follows:

<u>Purchase Date</u>	<u>Purchased Investment</u>	<u>Cost</u>	<u>Percentage Yield to Maturity</u>	<u>Maturity Date</u>
7/31/98	Winnebago	\$119,248.00	4.000%	02/02/02
7/15/98	Putnam	\$325,605.00	4.000%	04/01/02
7/10/98	Maricopa Co.	\$335,499.00	4.000%	07/01/02
7/28/98	Parkland	\$1,104,730.00	3.850%	09/01/01
7/30/98	State Pub. Sch.	\$275,451.00	4.000%	04/01/02
7/15/98	Wissahickon	\$500,450.00	4.050%	05/15/01
7/14/98	Fort Worth	\$548,060.00	3.750%	04/01/00
7/29/98	Missouri Assoc.	<u>\$290,957.00</u>	<u>4.001%</u>	<u>04/01/02</u>
		\$3,500,000.00	3.900%	

A true and perfect photocopy of the purchase Confirmation statements received by ACSTAR from Salomon Smith Barney which correspond to the INVESTED FUNDS is attached hereto and incorporated herein by reference as "Exhibit A."

6. On information and belief, ACSTAR has liquidated Putnam and Maricopa bonds on October 21, 1999 to pay \$600,000 settlement, attorney fees and costs, will liquidate State Pub Sch. and Wissahickon bonds in 90 days to pay \$750,000 settlement, attorney fees and costs, will liquidate in 180 days Fort Worth and Missouri Assoc. bonds to pay \$750,000 settlement, attorney fees and costs and will in 270 days liquidated Winnebago and Parkland bonds to pay portion of \$2,000,000 settlement.

7. ACSTAR agrees it will not assert investment expenses as an offset to the income earned on the invested funds.

8. Affiant says nothing further.

This the 27 day of Oct., 1999.

Robert H. Frazer  
Robert H. Frazer

Sworn to and subscribed before me,  
this 21<sup>st</sup> day of October, 1999.

Natalie P. Sihpol  
Notary Public

My Commission Expires:

NATALIE P. SIHPOL  
NOTARY PUBLIC  
990138-0001-001  
MY COMMISSION EXPIRES SEP. 30, 2003

WARD AND SMITH, P.A., ATTORNEYS AT LAW

Purchase

<u>Date</u>	<u>Investment</u>	<u>Cost</u>	<u>% Yield</u>
7/31/98	Winnebago	119,248	4.000%
7/15/98	Putnam	325,605	4.000%
7/10/98	Maricopa Co.	335,499	4.000%
7/28/98	Parkland	1,104,730	3.850%
7/30/98	State Pub. Sch.	275,451	4.000%
7/15/98	Wissahickon	500,450	4.050%
7/14/98	Fort Worth	548,060	3.750%
7/29/98	Missouri Assoc.	290,957	4.001%
		<hr/> 3,500,000	3.900%

**"EXHIBIT A"**

Your Broker/Dealer is  
SMITH BARNEY INC  
LONG WHARF MARITIME  
545 LONG WHARF DR  
NEW HAVEN, CT 06511

Account Number: 577-07179-1-5-028  
Financial Consultant: VINCENT CRUDO, PATRICK DUFF  
203-772-3970

A Member of Travelers Group

ACSTAR INSURANCE CO #1,389  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

Summary For Settlement Date	07/31/98
Total Purchases	\$ 1,181,587.00
Net Amount	\$ 1,181,587.00 Debit

Bought 1,100,000 at a price of 104.692

NNEBAGO & BOONE CNTYS ILL  
H DIST NO 205 SER-C UT FGIC  
G DD12/15/92  
M 4.000  
4500% FA-01 DUE 02/01/2002  
E CORP/MUNI BONDS NOTE BELOW

Gross Amount	\$ 1,151,612.00
Accrued Bond Int.	29,975.00
Amount	\$ 1,181,587.00
Settlement Date	07/31/98

Trade Date: 07/29/98  
Market: Over-The-Counter  
CUSIP#: 974535-FK-7  
Security#: 3168019  
Solicited Order  
Cash Acct.  
Ref #: 37630  
TRANSFER & MAIL

acted as your agent in this transaction.

Corp/Muni Bonds  
Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices fluctuate reflecting market interest rates and the issuer's credit status.

New Investment  
set up file

Added  
investment list  
S.C.H.D

Page 1 of 1

|||||  
ACSTAR INSURANCE CO #1,363  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

Summary For Settlement Date	07/15/98
Total Purchases	\$ 331,238.33
Net Amount	\$ 331,238.33 Debit

Bought 300,000 at a price of 108.535

TNAMI CO TENN GO MBIA REG  
DTG 12/1/93 F/C 4/1/94  
M 4.000  
5000% AO-01 DUE 04/01/2002  
E CORP/MUNI BONDS NOTE BELOW

7/17/98  
Notice  
Re: new investment  
file

Gross Amount	\$ 325,605.00
Accrued Bond Int.	5,633.33
Amount	\$ 331,238.33
Settlement Date	07/15/98

ide Date: 07/10/98  
rket: Over-The-Counter  
CUSIP#: 746673-PR-7  
Security#: 3757536

Solicited Order  
Cash Acct.  
Ref #: 38163  
TRANSFER & MAIL

acted as principal in this transaction.

rp/Muni Bonds  
nds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices  
tuate reflecting market interest rates and the issuer's credit status.

Added  
invest  
SCHD  
list

|||||  
ACSTAR INSURANCE CO #1,943  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

Summary For Settlement Date	07/10/98
Total Purchases	\$ 336,042.75
Net Amount	\$ 336,042.75 Debit

Bought 300,000 at a price of 111.833

ICOPA CO AZ SCH DIST NO 014  
LIGHTON REF FGIC UNLTD TAX  
DTD 12/1/91  
4.000  
100% JJ-01 DUE 07/01/2002  
CORP/MUNI-BONDS NOTE BELOW

*Natalie 7/10/98  
New Investment  
File*

Gross Amount	\$ 335,499.00
Accrued Bond Int.	543.75
Amount	\$ 336,042.75
Settlement Date	07/10/98

Settlement Date: 07/07/98  
Set: Over-The-Counter  
CUSIP#: 567099-CL-8  
Security#: 3524783

Solicited Order  
Cash Acct.  
Ref #: 31565

HOLD SECURITIES

acted as your agent in this transaction.

Muni Bonds  
is can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices  
date reflecting market interest rates and the issuer's credit status.

*Added -  
invest list  
SC.HD*

SMITH BARNEY INC  
LONG WHARF MARITIME  
545 LONG WHARF DR  
NEW HAVEN, CT 06511

Account Number:  
Financial Consultant:

577-07179-1-5-028  
VINCENT CRUDO, PATRICK DUFF  
203-772-3970

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Page 1 of 1



ACSTAR INSURANCE CO  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

#1,743

Summary For Settlement Date	07/28/98
Total Purchases	\$ 1,119,030.00
Net Amount	\$ 1,119,030.00 Debit

Bought 1,100,000 at a price of 100.43

PRKLAND PA SCH DIST  
IC INSD UNLTD TAX REG  
D 4/1/98 F/C 9/1/98  
M 3.850  
1000% MS-01 DUE 09/01/2001  
E CORP/MUNI BONDS NOTE BELOW

de Date: 07/15/98  
Market: Over-The-Counter

CUSIP#: 701383-GK-1  
Security#: 3526376

Solicited Order  
Cash Acct.  
Ref #: 38056

TRANSFER &amp; MAIL

acted as your agent in this transaction.

mp/Muni Bonds

ids can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices  
tuate reflecting market interest rates and the issuer's credit status.

*Notice  
New investment  
Please set up  
new investment  
File  
HG*

Gross Amount	\$ 1,104,730.00
Accrued Bond Int.	14,300.00
Amount	\$ 1,119,030.00
Settlement Date	07/28/98

*Added  
invest list  
5/24/0*

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h Barney Inc. and Salomon Brothers Inc are affiliated but separately registered broker/dealers under common control of Salomon Smith Barney  
ings Inc. Salomon Brothers Inc and Salomon Smith Barney Holdings Inc. have been licensed to use the Salomon Smith Barney service mark.  
reminder, payment for securities purchased or delivery of securities sold must be deposited with us by the Settlement Date  
reverse for further details. Keep this document for your records. Thank you for doing business with us.



SMITH BARNEY INC  
LONG WHARF MARITIME  
545 LONG WHARF DR  
NEW HAVEN, CT 06511

Account Number: 577-07179-1-5-028  
Financial Consultant: VINCENT CRUDO, PATRICK DUFF  
203-772-3970

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Page 1 of 1

ACSTAR INSURANCE CO  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

#1.498

Summary For Settlement Date	07/30/98
Total Purchases	\$ 275,915.06
Net Amount	\$ 275,915.06 Debit

Bought 275,000 at a price of 100.164  
ATE PUB SCH BLD AU PA CLGE  
NORTHAMPTON CO AREA-M AMBAC  
3 OID DD 7/15/98 F/C 10/1/98  
ORIGINAL ISSUE DISCOUNT  
YLD 4.100%/99.826 PRICE  
A 4.000  
500% AO-01 DUE 04/01/2002  
CORP/MUNI BONDS NOTE BELOW

PROSPECTUS UNDER SEPARATE COVER	
Gross Amount	\$ 275,451.00
Accrued Bond Int.	464.06
Amount	\$ 275,915.06
Settlement Date	07/30/98

Settlement Date: 07/21/98  
Market: Underwriting  
CUSIP#: 857320-ST-3  
Security#: 3526180  
Solicited Order  
Cash Acct.  
Ref #: 106302  
TRANSFER & MAIL

acted as your agent in this transaction.

For Muni Bonds  
Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices  
reflecting market interest rates and the issuer's credit status.

For Set up.  
New Investment File  
Added  
investment list  
SCHE

SMITH BARNEY INC  
LONG WHARF MARITIME  
545 LONG WHARF DR  
NEW HAVEN, CT 06511

Account Number:  
Financial Consultant:

577-07179-1-5-028  
VINCENT CRUDO, PATRICK DUFF  
203-772-3970

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Page 1 of 1



ACSTAR INSURANCE CO  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

#1,858

Summary For Settlement Date	00/00/00
Net Amount	\$ .00 Credit

Bought 500,000 at a price of 100

PROSPECTUS UNDER SEPARATE COVER

ISSAHICKON S/D MONTGOMERY PA  
EN OBLIG REG  
TD 7/15/98 F/C 11/15/98  
0500% MN-15 DUE 05/15/2001  
HEN, AS & IF ISSUED  
EE CORP/MUNI BONDS NOTE BELOW

Amount	\$ .00
Settlement Date	00/00/00

Trade Date: 06/23/98  
Market: Underwriting

CUSIP#: 977354-MY-2  
Security#: 3508722

Solicited Order  
Cash Acct.  
Ref #: 78832

HOLD SECURITIES

acted as principal in this transaction.

Corp/Muni Bonds  
Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices  
reflectuate reflecting market interest rates and the issuer's credit status.

*Handwritten notes:*

★

Closed 7/15 - paid for 3/30

500,450 - all principal

100.09

New  
Natalie  
Investment File

Added -  
invest list  
SCTD

7/17/99

16

our Broker/Dealer is:

**SALOMON SMITH BARNEY**

A Member of Travelers Group

**SMITH BARNEY INC**  
ONG WHARF MARITIME  
45 LONG WHARF DR  
NEW HAVEN, CT 06511

Account Number: 577-07179-1-5-028

Financial Consultant: VINCENT CRUDO, PATRICK DUFF

203-772-3970

Page 1 of 1

|||||  
ACSTAR INSURANCE CO #1,438  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

Summary For Settlement Date	07/14/98
Total Purchases	\$ 561,793.33
Net Amount	\$ 561,793.33 Debit

Bought 500,000 at a price of 109.612

T WORTH TEX GENL IMP

TAX-F/REG-DTD 4/1/84

4/1/85-ESCROWED TO MTY

3.750

100% AO-01 DUE 04/01/2000

CORP/MUNI BONDS NOTE BELOW

Settled Date: 07/09/98

Settled: Over-The-Counter

CUSIP#: 349424-P8-8

Security#: 3241008

Solicited Order

Cash Acct.

Ref #: 38580

TRANSFER & MAIL

New Portfolio

2/17/98

Investment

Gross Amount

Accrued Bond Int.

Amount

Settlement Date

\$ 548,060.00

13,733.33

\$ 561,793.33

07/14/98

acted as your agent in this transaction.

p/Muni Bonds  
ds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices  
uate reflecting market interest rates and the issuer's credit status.

Add  
invest list  
5/6/98

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Holdings Inc. Salomon Brothers Inc and Salomon Smith Barney Holdings Inc. have been licensed to use the Salomon Smith Barney service mark.  
Salomon Smith Barney, is a service mark of Smith Barney Inc.

SMITH BARNEY INC.  
LONG WHARF MARITIME  
545 LONG WHARF DR  
NEW HAVEN, CT 06511

Account Number: 577-07179-1-5-028  
Financial Consultant: VINCENT CRUDO, PATRICK JFF  
203-772-3970

Page 1 of 1



ACSTAR INSURANCE CO #97  
ATTN: HENRY NOZKO JR.  
PO BOX 2350  
NEW BRITAIN CT 06050-2350

Summary For Settlement Date	07/29/98
Total Purchases	\$ 290,957.00
Net Amount	\$ 290,957.00 Debit

Bought 290,000 at a price of 100.33

PROSPECTUS UNDER SEPARATE COVER

SOURI ASSOC RUR ED LSE COPS  
NTH ST FRANCOIS R-I SCH  
A-B/Q-RG-DD7/29/98F/C4/1/99  
1 4.001  
000% AO-01 DUE 04/01/2002  
CORP/MUNJ BONDS NOTE BELOW

Gross Amount	\$ 290,957.00
Amount	\$ 290,957.00
Settlement Date	07/29/98

Settlement Date: 07/20/98  
Settlement Method: Underwriting

CUSIP#: 605890-S7-8  
Security#: 3532876

Solicited Order  
Cash Acct.  
Ref #: 3874

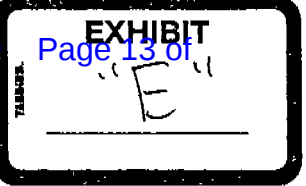
TRANSFER & MAIL

acted as your agent in this transaction.

p/Muni Bonds  
Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices  
reflecting market interest rates and the issuer's credit status.

Natalie  
New Investment  
Please set up file  
Jing

Add interest list  
Seth D



Now come the parties in the above matter, SEC, ACSTAR and the Chapter 7 Trustee and agree as follows:

1) ACSTAR will pay the sum of \$4.1 million to the SEC in full settlement of its obligations under the Bond and will agree to the entry of a Consent Judgment in the District Court case consistent with the payment terms set out below:

a) \$600,000 to be paid within 30 days of the entry of the Consent Judgment by the District Court (assuming that Bankruptcy Court and Commission approval have been previously obtained)

b) \$750,000 90 days thereafter;

c) \$750,000 90 days thereafter;

d) with the balance of \$2,000,000 paid 90 days thereafter.

b) ACSTAR shall have an allowed claim in the defaulted investor priority class as set forth in the proposed distribution previously submitted by the Trustee in the amount of \$300,000; and shall have an allowed general

unsecured claim in the Debtors estates  
in the amount of \$300,000

6/2/99

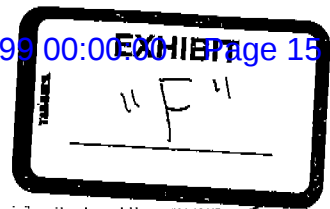
Acstar  
by: P. Tray

ad. n. P. Tray

Attorney

John. Tray

Trustee



6/2/91

Upon final approval  
of the Aster - I H I -

SEC dispute, Aster  
& related companies will  
execute a general release  
in favor of Holmes.

Harden for any  
alleged wrongdoing.

(denial of course) relating  
to his seeking approval  
to attempting to settle  
the SEC litigation.

Min of the  
attorney